

WORLD TRADE ORGANIZATION

RESTRICTED

G/SCM/Q2/LVA/4

22 October 2001

(01-5172)

**Committee on Subsidies
and Countervailing Measures**

Original: English

SUBSIDIES

Replies to Questions from the UNITED STATES¹
Regarding the Updating Notification of LATVIA²

The following communication, dated 18 October 2001, has been received from the Permanent Mission of Latvia.

State Aid to the Manufacturing Sector

Q1. Is aid to the manufacturing sector provided to any company or enterprise that, under commercial and market considerations, would not be able to obtain financing?

Reply

In 1999 state aid was not granted to the companies who would not be able to obtain financing under market conditions. Most of the aid to the manufacturing sector was granted in the form of tax debt capitalization (debt accrued before the privatisation) and tax extensions (since 1 January 2000, no new tax extension has been granted).

The capitalization of tax debt and tax extensions are one-off steps to help companies overcome the consequences of the previous economic system, no direct aid from the State budget was granted. Besides, tax debt capitalization was possible only in cases where companies complied at least with minimum financial viability criteria (certain financial indicators like liquidity and own capital assurance were stipulated as a yardstick plus no minimum defaults in current tax payments).

As to restructuring aid, the aid was granted only with condition, that the recipient had to contribute at least 25 per cent of restructuring costs (e.g. at least 25 per cent of restructuring costs should not be state or municipal financing).

¹ G/SCM/Q2/LVA/3

² G/SCM/N/60/LVA

Q2. Is any aid mentioned in your notification contingent on a company's ability or intention to export its goods or services?

Reply

In 1999, no export aid was granted to the companies. State aid to companies was granted only to partly cover the companies' costs of participation in fairs, international exhibitions etc.

State Aid to the Agricultural Sector

Q1. Please provide information on the amounts of aid provided to the agricultural sector.

Reply

The following information is provided:

1. Title of the subsidy

Support for Agriculture

2. Period covered by notification

1999

3. Policy objectives and/or purpose of the subsidy

The purpose of state aid in the agricultural sector is to promote the competitiveness of Latvian produced agricultural goods (in the form of price support, certain forms of credit guarantees etc.) and to stimulate the technological modernization of farms, to increase level of skills and knowledge among farmers, to improve scientific system that underpins livestock breeding and plant production in Latvia.

4. Background and authority for the subsidy

Ministry of Agriculture

5. Legislation under which it is granted

Law on 1999 State budget and Decree of the Ministry of Agriculture No. 15 dated from 18 January 1999.

6. Form of the subsidy

Grant

7. To whom and how the subsidy is provided

The subsidies were available to natural and legal persons, who meet certain criteria, they are registered as taxpayers, manage bookkeeping, have at least first level agricultural education and provide data for statistics.

8. Subsidy per unit, or in cases where it is not possible, the total amount or the annual budget for the subsidy

Financing to general services.

Procedure	Costs in ('000 SDR)
Research programmes financed by state on specific needs related to agriculture-pedigree work; maintenance of genetic fund and seed breeding; development of science(technical equipment); center of comparing plant sorts	2,943.4
Extension and advisory services for farmers; improvement of qualification and provision of the methodological work for educational establishments; other agricultural activities, exhibitions etc.	16,969.7
Inspection services related to seed, food quality, sanitary border inspection, veterinary medicine; establishment of united animal register	8,118.3
Culture – technical and agro-technological improvement of soils; maintenance of melioration system; hydrometry and cadastre for melioration	3,638.7
Liquidation of consequences of accidents	8.1
Artificial renovation or private forestry land and forestation of non-agricultural lands	44.3
Improvement of technology, renovation of technical equipment of production.	4,537.9
Payments for income loss due to bankruptcy of sugar production factory	1,438.0
Total	37,698.4

Sector specific subsidies

Payments are distributed according to the table. Certain quality requirements have to be met.

Product	Costs in 1999, government budget ('000 SDR)
Flax	405.7
Barley	83.0
Rape	164.9
Potatoes	258.6
Certified seed material	2,687.0
Vegetables from greenhouses	168.8
Grain (other than wheat)	419.9
Pig-meat	1581.8
Beef	1,003.8
Dairy	2,568.3
Total	9,341.8

Aid not linked to specific forms of agricultural production

Programme	Aid in '000 SDR
Credit interest rate subsidy	93.7
Support for purchase of breed animals, seamen material from aboard	253.1
Formation of credit guarantee fund	962.9
Total	9,341.8

Intervention programme

The market intervention programme was implemented through the state intervention buying of grain that meet specific quality requirements from Latvian cereal producers for set prices.

Support is estimated as not exceeding world market price level.

9. Duration of a subsidy and/ or other time limits attached to it

Individually, according to the programme.

10. Statistical data permitting an assessment of the trade effects of a subsidy

Information on the trade effect of the subsidy is not available.
